

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF LOUISVILLE GAS AND) CASE NO. 98-565
ELECTRIC COMPANY FROM NOVEMBER 1, 1996)
TO OCTOBER 31, 1998)

O R D E R

The Louisville Gas and Electric Company (“LG&E”) has moved for reconsideration of the Commission’s Order of February 16, 2000. It requests that the Commission set aside certain findings¹ related to the operation of LG&E’s fuel adjustment clause (“FAC”) for the six-month period ending October 31, 1998 and conduct a six-month review pursuant to 807 KAR 5:056, Section 1(11). It requests, in the alternative, that LG&E be permitted to increase its actual monthly fuel cost by \$13,694 in its next monthly fuel adjustment clause filing to correct certain inaccuracies contained in the Order of February 16, 2000. We deny the motion in part and grant it in part.

On February 16, 2000, the Commission entered an Order in this proceeding in which we made specific findings concerning the operation and calculation of LG&E’s FAC for the six-month period ending October 31, 1998. In its Motion for Reconsideration, LG&E objects to the Order “on the grounds that the two-year

¹ In its motion, LG&E refers to “determinations in the ordering paragraphs numbered 1 through 5.” LG&E’s Motion at 1, n.1. We assume this reference is to the findings contained in that Order.

procedure in Section 1(12) of 807 KAR 5:056 instead of the six-month procedure in Section 1(11) of 807 KAR 5:056 was used to review the operation of the fuel clause from May 1, 1998 through October 31, 1998.” LG&E’s Motion at 1, n.1. It asserts that the Commission’s alleged failure to conduct a review pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11) requires that any findings related to this period must be set aside and that another review proceeding must be conducted.

We find no merit in this argument and deny the request. In our Order of February 16, 2000, the Commission expressly stated that this proceeding was also “conducted pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11), to review the six-month period ended October 31, 1998.” Order of 2/16/2000 at 1, fn. 1.

Assuming arguendo that no reference to Administrative Regulation 807 KAR 5:056, Section 1(11) had been made in the Order of February 16, 2000, we would still reach the same result. The Commission has previously held that the disallowance of improper and unreasonable fuel costs incurred at any time during the two-year period under review is permissible in proceedings conducted pursuant to Administrative Regulation 807 KAR 5:056, Section 1(12).² Furthermore, as the Commission engaged in the practice of combining six-month and two-year FAC review proceedings for ten years without objection from LG&E and as LG&E raised no objection to the practice in this proceeding prior to the entry of the Order of February 16, 2000, LG&E waived any right to object on this issue. Finally, LG&E has failed to explain how another proceeding

² Case No. 96-524, An Examination By the Public Service Commission of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company From November 1, 1994 to October 31, 1996 (Mar. 8, 1999) at 5-6.

would produce a different result or how its rights in the current proceeding were adversely affected.

In the Order of February 16, 2000, the Commission directed that LG&E, in calculating its monthly fuel cost, reduce its actual monthly fuel cost by \$319,914 to reflect the overrecovery of fuel costs resulting from its unreported fuel costs recovered through intersystem sales during the six-month period ending October 31, 1998. Our action resulted in part from our finding that LG&E had failed to correctly account for the cost of fuel associated with line losses to transmit power generated at its Trimble County Plant and belonging to Illinois Municipal Electric Agency (“IMEA”) and Indiana Municipal Power Agency (“IMPA”) and that this failure resulted in an overstatement of \$44,839 in its cost of fossil fuel consumed in its own plants.

In its Motion for Reconsideration, LG&E argues that we erred in our calculation of the overstatement for the month of June 1998 by overstating the “Total Reported Fuel Cost for Trimble County and understating “Reported Fuel Cost for Non-Jurisdictional Trimble County Generation.” It further argues that, when our error is corrected, the overstatement related to the generation and transmission of Trimble County Plant power to IMEA and IMPA is only \$31,145.

Having reviewed the calculations, the Commission acknowledges the error and finds that the overstatement in the cost of fossil fuel consumed in LG&E’s plants should be only \$31,148. Table I shows our revised calculations. As LG&E filed a monthly fuel adjustment factor on February 21, 2000 that included the required reduction, it should be authorized to increase its actual monthly fuel cost by \$18,699 to reflect the corrected calculations.

IT IS THEREFORE ORDERED that:

1. LG&E's Motion for Reconsideration is denied in part and granted in part.

2. Finding Paragraph 5 of the Commission's Order of February 16, 2000 is amended to read as follows:

5. LG&E's use of a .33 percent line loss factor, instead of a one percent line loss factor, to determine the cost of fuel used to generate and transmit Trimble County power to IMEA and IMPA resulted in an overstatement of \$31,148 in its cost of fossil fuel consumed in its own plants.

3. Upon filing its first monthly fuel adjustment after entry of this Order, LG&E shall, in calculating its monthly fuel cost, increase its actual monthly fuel cost by \$18,699 to reflect the revisions ordered herein.

Done at Frankfort, Kentucky, this 15th day of March, 2000.

By the Commission

ATTEST:

Executive Director

TABLE I

(1) Month	(2) Scheduled Generation (MWH) ¹	(3) Total Generation Attributable to IMPA & IMEA (MWH) ²	(4) Trimble County Net Generation (MWH) ³	(5) Ratio of Total Generation Attributable to IMPA & IMEA ⁴	(6) Total Reported Fuel Cost for Trimble County ⁵	(7) Corrected Fuel Cost for Non-Jurisdictional Trimble County Generation ⁶	(8) Reported Fuel Cost Non-Jurisdictional Trimble County Generation
May 1998	83,323	84,156	307,476	0.273699	\$2,771,030	\$758,428	\$753,388
June 1998	80,569	81,375	295,116	0.275739	\$2,758,187	\$760,540	\$755,550
July 1998	92,159	93,081	340,491	0.273373	\$3,174,114	\$867,717	\$861,962
August 1998	87,654	88,531	329,898	0.268359	\$2,962,050	\$794,893	\$789,623
September 1998	83,640	84,476	314,827	0.268325	\$2,775,957	\$744,859	\$739,903
October 1998	84,010	84,850	314,029	0.270178	\$2,749,612	\$742,940	\$737,803
TOTAL							

NOTES:

1. Source: LG&E's Response to the Commission's Order of December 6, 1999, Item 1.
2. Scheduled Generation X 1.01 = Total Generation Attributable to IMPA and IMEA.
3. Source: LG&E's Monthly FAC Fuel Inventory Schedule.
4. Column 3 / Column 4 = Ratio of Total Generation Attributable to IMPA & IMEA.
5. Source: LG&E's Monthly FAC Fuel Inventory Schedule.
6. Column 5 X Column 6 = Corrected Fuel Cost For Non-jurisdictional Trimble County Generation.